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Does It Menace the United States?

BY T. A. BISSON

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Japan's Trade Boom—Does It Menace the United States?

BY T. A. BISSON

with the aid of the Research Staff of the Foreign Policy Association

SINCE the middle of 1932 Japan's foreign trade has experienced a phenomenal growth. By 1934 this expansion had already carried Japanese trade to pre-depression levels; in 1935 the export-import total set a new high record for Japan. The gain in the yen value of Japan's exports between 1931 and 1935 was only slightly less than that achieved during the expansion produced by the war in the years from 1914 to 1918. In view of the halting recovery made by foreign trade in the rest of the world, the extraordinary advances registered by Japanese commerce during this period attracted special attention. From the beginning Japan's trade boom occasioned widespread comment, speculation and concern, particularly with regard to its present and future effects on the West. Although Great Britain was the principal country to express alarm in 1933-1934, the outcry against Japanese competition spread to American manufacturers in 1935. The issues created by this development, if not carefully handled, may lead to serious disturbance in the trade relations between Japan and the United States.

RECENT GROWTH OF JAPAN'S TRADE

Three measurements may be usefully applied to estimate the recent progress of Japan's export trade. In terms of Japanese currency, as shown in Table I, Japan's exports increased from 1,147 million yen in 1931 to 2,499 million in 1935. In volume of goods exported, the increase was from 5.29 million tons in 1931 to 9.05 million tons in 1935. In gold value, despite an absolute decline, Japan's relative share of world exports increased from 2.89 per cent in 1931 to 3.32 per cent in 1934.[1] Of these three yardsticks, the first shows the greatest and the last the smallest percentage increase. The median gain of 71.1 per cent in volume probably reflects most accurately the extent of Japan's increased commercial activity in recent years. At the same time, there has been a parallel increase in Japanese imports. In 1935, however, there was an excess of exports totaling 27 million yen—the first export excess in Japanese merchandise trade since 1918.

Japan's export gains since 1931 have been achieved in spite of a drastic decline in the price of raw silk, traditionally the leading export commodity.[2] This loss has been compensated many times over by a large increase in the production and export of other commodities.[3] The yen value of Japan's exports of cotton piece goods, by far the most important item, increased from 199 million in 1931 to 496 million in 1935, or 149 per cent.[4] In volume, however, the increase was only 93 per cent, indicating that the yen prices of Japan's cotton piece

1. Computed from League of Nations, *Statistical Year-Book, 1934-35* (Geneva, 1935), p. 309.

2. From an export value of 784 million yen (36.5 per cent of Japan's total exports) in 1929, raw silk fell to 357 million yen (31.1 per cent) in 1931 and 287 million yen (13.2 per cent) in 1934, then rose to 387 million yen (15.5 per cent) in 1935. *Recent Developments in the Foreign Trade of Japan* (Washington, United States Tariff Commission, 1936), Report No. 105, Second Series, Table 2, p. 16; also *Monthly Return of the Foreign Trade of Japan* (Tokyo, Department of Finance), December 1935, p. 72.

3. In 1931 the value of exports other than raw silk was 790 million yen; in 1935 it was 2,112 million yen.

4. Same sources: the former, Table 3, p. 17; the latter, pp. 73-78.

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TABLE I

FOREIGN TRADE OF JAPAN[1]

(*in millions*)

Year	Exports yen	Imports yen	Total yen	Balance yen	Exports volume[2]	Imports volume[2]	Exports gold $[3]	Imports gold $[3]
1928	1,972	2,196	4,168	—224	6.48	20.18	915	1,019
1929	2,149	2,216	4,365	— 67	6.21	21.18	991	1,022
1930	1,470	1,546	3,016	— 76	6.25	18.63	726	764
1931	1,147	1,236	2,383	— 89	5.29	18.26	566	610
1932	1,410	1,431	2,841	— 21	5.96	17.73	396	402
1933	1,861	1,917	3,778	— 56	7.31	19.96	374	385
1934	2,172	2,283	4,455	—111	8.26	23.05	385	405
1935	2,499	2,472	4,971	+ 27	9.05	26.26	425	423

1. *Financial and Economic Annual of Japan, 1934* (Tokyo, Department of Finance, 1935), p. 122; *Monthly Return of the Foreign Trade of Japan,* cited, December 1935, p. 2. Merchandise trade (total exports, including re-exports) of Japan proper.

2. In "cargo" tons (partly of 2,240 lbs.; partly of 40 cubic feet). League of Nations, *International Trade Statistics, 1934* (Geneva, 1935), pp. 167-68; *Monthly Return of the Foreign Trade of Japan,* cited, December 1935, p. 107.

3. Old U. S. dollars, converted for 1933-1935. *Foreign Commerce Yearbook, 1933* (Washington, U.S. Department of Commerce, 1934), p. 267.

goods exports have risen considerably since 1931. Large increases have also occurred in Japan's exports of certain other textiles, pottery, drugs, tinned and bottled foods, manufactures of metal, rubber-soled shoes, bicycles, toys, and machinery.[5]

The expansion of Japan's exports since 1931 has directly affected its import trade. Much of the increased exportation consists of products made from raw materials not produced in Japan. This is notably true of cotton manufactures. Japan's imports of raw cotton increased from 296 million yen in 1931 to 714 million yen in 1935, or 141 per cent.[6] Owing to currency and price changes, however, as well as the unusually large stocks purchased ahead in 1931, the increase in the quantity imported between these years was only 10 per cent. In this period the value of Japanese imports other than raw cotton increased from 940 million yen to 1,758 million. Notable increases occurred in the import of iron scrap and waste, crude petroleum, copper, aluminum, and wood pulp.[7]

A comparison of the changes in the volume and value of Japan's foreign trade, shown in Table I, strikingly reflects the price movements of goods bought and sold by Japan since the low point of 1931. In terms of gold dollars, Japan's 1935 exports and imports were both valued considerably below those of 1931, despite marked increase in volume. In terms of the yen, however, the reverse was true. Taking Japan's exports, the volume increase from 1931 to 1935 represented a gain of only 71.1 per cent, while the yen value increased by 117.8 per cent. Clearly, the prices of Japanese goods have risen considerably since 1931. In the case of Japanese imports, the disparity is much greater. Whereas the volume of imports increased by only 43.8 per cent, the yen value increased by 100 per cent. This result reflects the higher prices in national currencies of the imported goods, as well as the depreciation of the yen in relation to these currencies.

5. Same sources: the former, Table 3, p. 17, Table 4, p. 18; the latter, pp. 66-93.

6. Same sources: the former, Table 5, p. 19; the latter, p. 98.

7. Same sources: the former, Table 6, p. 19-20; the latter, p. 94-106.

FACTORS IN JAPAN'S TRADE BOOM

Early in 1935, following a considerable increase in imports of goods from Japan, a general outcry against Japanese competition was raised in the United States. Complaints from American manufacturers were seconded by members of Congress, and articles on the Japanese trade "menace" appeared in the press.[8] The usual charges of dumping, unfair trade practices, and export subsidies were leveled against Japan; more serious were the charges of currency depreciation, low labor costs, and alarming increases of imported goods. On the basis of these complaints, often unsupported by factual data, it was suggested that the United States should undertake wholesale restriction or even exclusion of imports from Japan.[9]

8. Cf. series of articles in the *New York American,* April-May 1935, *passim.*

9. Senators Walsh and George pressed for a "limited embargo," involving the imposition of a quota restriction on Japanese imports by Presidential action. *New York Times,* March 19, 1935.

The first three charges listed above can hardly be said to represent important factors in the recent expansion of Japan's foreign trade. Where such cases can be proved, appropriate methods for dealing with them are available under the Anti-dumping Act, the Trade Mark Law, and the Tariff Act. Fewer actions have been taken against Japan under these statutes than against some other countries. In many cases the unfair trade practices charged to Japan, especially in connection with the simulation of goods, have originated with American importers who supplied samples of the required articles to Japanese manufacturers. To a large extent the inroad of Japanese goods thus constitutes a drawing-in from this side rather than a forcing-in from without.

Low labor costs and undervaluation of the yen, however, are undoubtedly two of the major causes of Japan's trade boom. Before considering these factors, it should be noted that they would hardly have exerted such a powerful influence had it not been for other important elements in Japan's recent industrial development which are commonly overlooked. The Minseito government's return to the gold standard early in 1930 set in motion a severe deflationary process, which was accentuated by the world depression. At the same time, the government instituted a campaign to rationalize Japanese industry. Cartellization was encouraged under government auspices, production quotas were fixed by the industrial associations, and joint offices for the purchase of raw materials and sale of the finished products were established. Official sponsorship of the rationalization movement gave added impetus to the progressive improvement in technical and managerial skill which was already taking place in the most advanced Japanese industries, notably the textile industry.[10] As a result of this process, Japanese industry was specially prepared to reap the utmost benefit from the advantages conferred by devaluation at the end of 1931. Since 1932, moreover, foreign trade has been much more vigorously promoted through consular offices and through special trade missions sent abroad by various industrial associations. Aided by the demand for cheap merchandise in time of depression, new markets were opened up which would otherwise have remained undeveloped.

The charge is sometimes made, in connection with the depreciation of the yen, that Japan's departure from the gold standard in December 1931 constituted a deliberate move to buttress its export trade. Actually, the step was forced by overwhelming pressure, as the attendant circumstances conclusively prove.[11] Once devaluation had begun, however, it proceeded much further in the case of the yen than of the currencies of other important countries. In the period since 1932 a substantial exchange advantage favoring Japan's export trade has existed. Under normal conditions this advantage would continue for only a short period. In the case of Japan, which must import large amounts of raw materials—notably raw cotton—compensatory action should operate with special force. The normal processes of readjustment, however, have not taken place. The course of the yen-dollar exchange rate indicates that the devaluation of the dollar was countered by an additional depreciation of the yen. Increased costs of raw materials purchased abroad by Japanese manufacturers, moreover, have been counteracted by the continued decline of wages in Japan, and by the delayed rise of domestic prices.

In addition to the advantages already considered, Japanese industry has been favored by low labor costs. Daily wage rates in Japan, even including additional items for bonus and retirement allowances, medical attention, and cheap living conditions furnished by some operators, are much lower than in the United States and many European countries. Even in the larger factories employees work from 8 to 11 hours per day, with 2 to 4 rest days a month; in the smaller factories and household industries the hours are longer and there are fewer rest days.[12] While wages are low and hours of work long in Japan, similar conditions exist in a number of industrial countries in the West. A careful study has shown that in 1931 Japanese wages were virtually equivalent in gold value to those of Italy and Poland.[13] Since then, however, although employment in Japan has notably increased, the real wages of the workers have markedly declined.[14]

At the same time, it should be recognized that

10. The fact that industrialization occurred late in Japan leads to a proportionately faster rate of progress than in Western countries, on the basis of the most up-to-date technical equipment.

11. A cardinal policy of the Minseito government, which then held office in Japan and represented mainly the *rentier* interests, was the maintenance of the gold standard. Great Britain's devaluation of the pound in September 1931 had intensified the deflationary process at work in Japan, placed severe pressure on Japanese exporters, and led to a drain of gold which seriously threatened the Bank of Japan's specie reserves. Nevertheless, the Minseito Cabinet clung to the gold standard for nearly three months thereafter, and this policy was not reversed until the overthrow of the government on December 11, 1931.

12. *Recent Developments in the Foreign Trade of Japan,* cited, p. 26.

13. International Labor Conference, Eighteenth Session, *Report of the Director* (Geneva, International Labor Office, 1934), p. 18; Appendix I, Table I, p. 82.

wages and hours are not the only factors which determine the production costs of an industry. The productivity per unit of labor is also important, especially in international comparisons. With the possible exception of the textile industry, in which the up-to-date machinery and coordinated marketing system of the Japanese mills are in marked contrast to the obsolescence of equipment and non-integrated marketing structure of American mills,[15] it is questionable whether the productive capacity of the Japanese worker is equal to that of workers in advanced Western countries. In many cases, therefore, the competitive advantage conferred by the low wages and long hours of Japanese workers would be at least partially compensated by their lower productivity.

Of the several factors which have been responsible for Japan's extraordinary invasion of foreign markets since 1932, the low wages of the Japanese worker is probably the most significant. It is noticeable, however, that the most marked competitive advantage has been enjoyed by the Japanese textile industry, in which low wages have been combined with high productivity. Low wage rates have reinforced the competitive advantages secured by Japan as a result of managerial and technical progress, the rationalization movement, and undervaluation of the yen. It is the combination of these factors, rather than any one factor taken alone, which has enabled Japanese export trade to forge ahead so rapidly in recent years.

The issue directly affecting the United States is the extent to which increased Japanese competition constitutes a threat to American industry and American living standards. If such a threat exists, the question arises whether it has become serious enough to warrant the adoption of wholesale protective measures. The answer to this question lies in an analysis of the general status of Japanese-American trade, the extent to which Japanese goods have penetrated the American market, and the degree of Japanese competition with American products in third countries.

GENERAL STATUS OF JAPANESE-AMERICAN TRADE

The importance of Japan in United States trade is not generally recognized. In recent years Japan has usually ranked third among foreign countries as a market for American goods, being exceeded only by the United Kingdom and Canada. As a source of American imports, on the other hand, Japan has ranked second, exceeded only by Canada.[16] Between 1929 and 1935, as shown in Table II, the percentage of American exports taken by Japan rose from 4.9 to 8.9. Imports from Japan, however, decreased from 9.8 to 7.4 per cent of total United States imports in this period.

TABLE II

UNITED STATES TRADE WITH JAPAN[1]

(*in millions of dollars*)

	Exports		*Imports*		
Year	*Value*	*Per cent*	*Value*	*Per cent*	*Balance*
1928	288	5.6	384	9.4	— 96
1929	259	4.9	432	9.8	—173
1930	165	4.3	279	9.1	—114
1931	156	6.4	206	9.9	— 50
1932	135	8.4	134	10.1	+ 1
1933	143	8.5	128	8.8	+ 15
1934	210	9.8	119	7.2	+ 91
1935	203	8.9	153	7.4	+ 50

1. *Recent Developments in the Foreign Trade of Japan,* cited, p. 31; also *Monthly Summary of Foreign Commerce of the United States,* December 1935, p. 4-5. Total exports, including re-exports; general imports.

The position of the United States in Japan's foreign trade is even more important, since this country takes a much larger proportionate share of total Japanese trade. In recent years the United States has ranked first as a supplier of imports to Japan, and until 1934 was Japan's largest export market. In that year China, including Manchuria and Kwantung, took first place in Japan's export trade, with the United States second. Between 1929 and 1935, as shown in Table III, American exports to Japan increased from 29.5 to 32.8 per cent of the latter's total imports; in the same period, American imports from Japan fell from 42.5 to 21.4 per cent of the latter's total exports.

As these figures indicate, there has been a notable shift in the balance of merchandise trade between the two countries in recent years. For a long period before 1932, American imports from Japan greatly exceeded American exports to Japan, resulting in debit balances for the United States and credit balances for Japan. In the years immediately preceding the depression, Japan's credit balances on merchandise trade with the United States were substantial. Its exports to this country averaged about 45 per cent greater than its imports on the basis of American statistics and 30 per cent on the

14. Between November 1931 and September 1935 the employment index (1926=100) in Japan advanced from 73.7 to 101.0, the wage-rate index (1926=100) declined from 89.7 to 81.0, and the cost of living index (July 1914=100) rose from 159 to 184. *The Oriental Economist* (Tokyo), January 1936, pp. 37, 39.

15. For strictures on the technical efficiency of the American cotton textile industry, cf. the report of the Cabinet Committee appointed by the President entitled *Cotton Textile Industry,* Senate Document No. 126, 74th Congress, 1st Session (Washington, Government Printing Office, 1935), pp. 19, 31.

16. *Recent Developments in the Foreign Trade of Japan,* cited, p. 30; cf. generally pp. 30-49.

TABLE III

JAPAN'S TRADE WITH THE UNITED STATES AND ALL OTHER COUNTRIES[1]

(in millions of yen)

	Trade with United States					*All Other Countries*		
	Exports		*Imports*					
Year	*Value*	*Per cent*	*Value*	*Per cent*	*Balance*	*Exports*	*Imports*	*Balance*
1928	826	41.9	626	28.5	+200	1,146	1,570	−424
1929	914	42.5	654	29.5	+260	1,235	1,562	−327
1930	506	34.4	443	28.7	+ 63	964	1,103	−139
1931	425	37.1	342	27.7	+ 83	722	894	−172
1932	445	31.6	510	35.6	− 65	965	921	+ 44
1933	492	26.4	621	32.4	−129	1,369	1,296	+ 73
1934	399	18.4	769	33.7	−370	1,773	1,514	+259
1935	535	21.4	810	32.8	−275	1,964	1,662	+302

1. *Recent Developments in the Foreign Trade of Japan*, cited, p. 31; also *Monthly Return of the Foreign Trade of Japan*, cited, December 1935, p. 9. Merchandise trade (total exports, including re-exports) of Japan proper.

basis of Japanese statistics.[17] With the beginning of the depression, however, a marked reversal in this situation took place. The United States debit balances on account of trade with Japan fell sharply in 1930 and 1931. A credit balance for the United States appeared in 1932, increased steadily until 1934, and still totaled 50 million dollars in 1935. Simultaneously, the status of Japan's trade with all other countries combined was also reversed, a former debit balance on account of Japan's trade with these countries being transformed into a credit balance. Where formerly Japan employed its credit balance on merchandise trade with the United States to offset its debit balance in trade with other countries, the reverse situation now prevails. This condition suggests the necessity of caution in considering any large-scale exclusion of Japanese goods from the United States, which would widen the existing gap in the trade balance between the two countries.

A number of factors have operated to result in the double reversal of Japan's trade balances. The primary influence was the expansion of Japanese exports to third countries. A large part was also played by the drastic decline in the price of raw silk, for which the United States is by far the most important market. Mainly as a result of the catastrophic fall in the value of raw silk exports, the dollar value of Japan's total exports to the United States steadily decreased from 1929 to 1934, although some of the lost ground was recovered in 1935.[18] The reversal of Japan's trade balances was further affected by the fact that much of its expansion of exports to third countries occurred in products made from materials of which the United States is an important supplier. Among such commodities, raw cotton is by far the most important. Since 1932 there has been a considerable rise in the dollar price of raw cotton, and even more in the yen price. Japan's purchases of raw cotton from the United States, valued at 154 million yen in 1931, amounted to 372 million yen in 1935. Although the quantity purchased has declined steadily since 1932, it still remains well above the pre-depression level, so that Japan has become the principal market for American raw cotton. The value of other American materials used by Japanese industry, particularly unmanufactured and semi-manufactured metals, has also shown a large export increase. As a result, the dollar value of American exports to Japan began to rise in 1933, and in 1935—despite a slight decline over 1934—was only 22 per cent lower than in 1929.

Despite this favorable situation, it should be recognized that Japan has alternative sources of supply for many of the principal commodities purchased from the United States. In 1934, of the approximate increase of 67 million dollars in American exports to Japan over 1933, nearly 50 million dollars was accounted for by raw cotton, crude petroleum, and manufactured or semi-manufactured metals. Since these commodities, which represented about 80 per cent of the total value of American exports to Japan in 1934, are all available in world markets, Japan can shift its purchases elsewhere without serious difficulty. This consideration should be borne in mind when the

17. The discrepancy exists chiefly because of differences in the place at which values are recorded—in the one case American ports of shipment, and in the other landing places in Japan.

18. Owing to exchange fluctuations, the yen value of Japan's exports to the United States, which had decreased in 1930 and 1931, rose slightly in 1932 and 1933. In 1934 the yen value of Japan's exports to the United States was lower than in any previous year since 1916.

issue of excluding Japanese goods from the American market is raised.

JAPAN'S PENETRATION OF THE U. S. MARKET

In view of the alarmist statements which have been circulated in the United States regarding Japan's inroads on the American market, it is important to calculate the extent of this competition as accurately as possible. Such an estimate has been facilitated by the recent study of Japanese trade prepared by the United States Tariff Commission.[19] Part II of its report contains a detailed analysis of 271 commodities imported from Japan in amounts of $12,000 or more in 1934. Imports of these commodities constituted 98.7 per cent of total imports from Japan in that year. A classification of these 271 items, according to the extent to which they compete with the products of American industry, is shown in Table IV. This classification is based on the comments which accompany the various items listed in the Tariff Commission's report. Reference to these comments must be made in order to check the facts in accordance with which the judgment as to classification has been reached.

TABLE IV

UNITED STATES IMPORTS FROM JAPAN IN 1934

(of items valued at $12,000 or more, classified according to competitiveness with American products)

Classification	*Value*	*Per cent of total imports from Japan*
Total imports from Japan	$117,963,573	100.0
Imports of 271 items valued at $12,000 or more	116,391,752	98.7
I. Commodities imported free of duty	83,863,209	71.1
II. Dutiable imports	32,528,543	27.6
A. Commodities of which there is no domestic production	6,656,743	5.6
B. Commodities, the domestic production of which is insufficient	3,924,498	3.3
C. Commodities imported due to special conditions, either temporary or permanent, and not competitive at time or place of sale	363,726	0.3
D. Commodities of a type not produced in the United States, consumed mainly by Orientals	1,059,898	0.9
E. Commodities sold in the United States chiefly on the basis of their Oriental or novelty nature	3,437,687	2.9
F. Commodities distinctly different in type or grade from those produced in the United States	5,013,197	4.2
G. Commodities which are competitive but imports of which are negligible in comparison with domestic production	2,359,038	2.0
H. Commodities which are substantially competitive	9,713,756	8.2

NON-DUTIABLE IMPORTS

Most of the commodities imported from Japan free of duty are materials used by American industry or agriculture. Many of them are not produced in the United States, while the remainder are almost entirely supplementary to rather than competitive with domestic production.[20] Non-dutiable imports from Japan in 1934 totaled $84,094,108; the non-dutiable imports analyzed by the Tariff Commission amounted to $83,863,209. The latter figure constituted 71.1 per cent of total imports from Japan. By far the largest item in this category is raw silk, imports of which were valued at $69,846,669. Other important items were tea, $2,286,318; crude pyrethrum, $1,985,604; certain oils not produced in the United States, $1,857,508; several types of undressed furs, $1,808,504; and various fertilizer materials, $1,539,220. Certain groups in the United States regard imported fertilizers as competitive. Imports, however, are used almost exclusively in the western part of the United States. Domestic production of the types imported is largely confined to the eastern states, and transportation costs are so high as to make the price of eastern fertilizers much higher on the West Coast than that of imports. These fertilizers remain on the free list because Congress has been unwilling to penalize the western farmers by placing a duty on such materials.

19. *Recent Developments in the Foreign Trade of Japan*, cited.

20. By paragraph numbers, Tariff Act of 1930, as follows: 1602, 1614, 1615 (three items), 1617, 1630, 1641, 1646, 1648, 1651, 1662, 1668, 1681 (six items), 1685 (six items), 1688 (two items), 1722, 1724, 1726, 1727, 1730, 1731, 1732 (two items), 1744, 1750, 1756, 1761 (four items), 1762, 1763, 1780, 1783, 1796, 1798, 1806 (two items), 1811. *Ibid.*, Part II, Table 1, pp. 106-193.

DUTIABLE IMPORTS

Total imports of dutiable commodities from Japan in 1934 amounted to $33,869,465; the dutiable imports covered by the Tariff Commission's study aggregated $32,528,543. The latter figure constituted 27.6 per cent of total imports from Japan. Dutiable imports are generally supposed to be competitive with domestic industry. As indicated in Table IV, however, the dutiable commodities imported from Japan are in many cases non-competitive; in other cases, the competition in the domestic market is negligible.

A. *Commodities of which there is no domestic production.*[21] The most important items in this category are various types of hat braids and bodies, $2,384,249; natural camphor and menthol, $2,013,132; and bristles, $917,120. Some question may arise regarding the inclusion of natural camphor and menthol in this category, even though neither is produced in the United States. With the recent development of domestic manufacture of these materials by synthetic method and the approval of their use in medicinals, their manufacture is rapidly growing. As the approved uses of the synthetic product have increased, however, imports of the natural product have declined, so there is good justification for including the latter in this category. In the case of dried mushrooms, imports are of a wild variety with a different flavor from the cultivated variety which is canned in the United States. They are packed and graded by hand in foreign countries and sell at high prices in the United States, so that it is extremely doubtful whether they compete with domestic canned mushrooms.

B. *Commodities, the domestic production of which is insufficient.*[22] The largest items are crab meat, crab sauce and crab paste, $1,746,828; cotton rags, not for paper making, $711,932; and lily bulbs, $407,333. In compiling this list, an attempt has been made to exclude articles which are not produced domestically in sufficient quantities owing to the competition of imports. For example, relatively small amounts of American codfish are salted and dried, by reason of the large market for fresh cod. A similar situation exists with regard to fresh and canned crab meat. Celluloid toys with movable parts require so much hand labor as to make their manufacture in the United States in sufficient quantities virtually impossible, short of absolute exclusion of imports. In this case, the price of domestic toys would probably be so high that demand would be markedly reduced.

C. *Commodities imported due to special conditions, either temporary or permanent, and not competitive at time or place of sale.*[23] The six commodities in this list comprise linseed oil cake and meal, $134,495; edible corn oil, $65,372; edible rapeseed oil, $63,123; soy bean oil cake and meal, $60,353; white talc, $20,626; and Japanese white oak, $19,757. Owing to the AAA, the drought of 1934, and other special factors, the imports of edible corn oil and rapeseed oil have temporarily increased. Small imports of Japanese white oak, used entirely in the west, are a result of virtually prohibitive transportation costs on the domestic white oak produced in the eastern states.

D. *Commodities, of a type not produced in the United States, consumed mainly by Orientals.*[24] The most important were various sauces, soy bean products, and specially prepared vegetables, $431,529; fish and fish products, $316,597; and *saké*, $205,323. These commodities are of a type not produced in this country, and are clearly designed to satisfy the special requirements of Orientals living in the United States. This fact cannot be deduced from the classifying titles, but the Tariff Commission's study indicates that the types imported from Japan are consumed almost wholly by Orientals.

E. *Commodities sold chiefly on the basis of their Oriental or novelty nature.*[25] In general, this category includes small articles which sell mainly in Oriental bazaars, tourist shops or chain stores. The largest items were toys and parts, $817,737, most of which were imported from Germany prior to 1934; decorated china and porcelain art and decorative articles, $586,488; decorated earthenware and

21. By paragraph numbers, Tariff Act of 1930, as follows: 5 (second of 2 items), 51 (three items), 53 (first of 4 items), 58, 213, 409, 752, 768 (first of 2 items), 779, 1021 (first of 2 items), 1504 (ten items), 1507, 1513 (tenth of 11 items), 1528 (first of 3 items), 1537 (second of 8 items), 1541 (second of 2 items). *Ibid.*, Part II, Table 1.

22. By paragraph numbers, Tariff Act of 1930, as follows: 35, 52, 60, 719 (first of 2 items), 721, 753, 764, 781, 922, 1010, 1209, 1302, 1404 (first of 3 items), 1413, 1503 (last two of 4 items), 1513 (fourth, seventh and eighth of 11 items), 1558 (first of 3 items). *Ibid.*, Part II, Table 1.

23. By paragraph numbers, Tariff Act of 1930, as follows: 53 (second and third of 4 items), 209, 404, 730 (two items). *Ibid.*, Part II, Table 1.

24. By paragraph numbers, Tariff Act of 1930, as follows: 61, 717 (last of 3 items), 718 (last two of 4 items), 719 (second of 2 items), 733, 738, 775 (four items), 804. *Ibid.*, Part II, Table 1.

25. By paragraph numbers, Tariff Act of 1930, as follows: 31 (second of 2 items), 211, 212 (last two of 4 items), 218 (first and third of 3 items), 397 (first two of 3 items), 923 (last of 3 items), 1403, 1413 (second of 2 items), 1513 (fifth and last of 11 items), 1519, 1537 (first of 8 items), 1538, 1552. *Ibid.*, Part II, Table 1.

stoneware art and decorative articles, $353,873; and miscellaneous small metal articles, $347,575. Typical of the articles in this category are miniature figures of animals, public buildings, birds, etc., made of porcelain, base metal or paper. In general these articles are manufactured by a variety of small producers both in this country and abroad; the trade depends almost entirely on artistry or novelty and there is little direct competition.

F. *Commodities distinctly different in type or grade from those produced in the United States.*[26] Most of these commodities are produced in the United States, but reference to the Tariff Commission's study will show that the imports differ distinctly either in type or grade. In some cases, further restriction would oblige domestic consumers to do without; in other cases, it would force them to purchase inferior substitutes. The largest items were silk fabrics and wearing apparel, $2,392,604; silver-plated table, household and kitchen utensils, $402,389; and embroidered rayon apparel, $307,824. There are four classifications of broadsilks; imports, however, consist in large measure of pongee and Fuji cloth. No Fuji cloth is produced in the United States; there is a small domestic production of imitation pongee of inferior quality but none of the genuine product made of reeled Tussah silk. There are also several classifications of silk, rayon and cotton wearing apparel. These commodities, of course, are produced in vast quantities in the United States, but imports consist largely of Oriental kimonos, pajamas, etc., probably embroidered by hand. Similar qualifications apply to every article in the list. The cotton bedspreads and table and bureau covers which are imported from Japan are chiefly India prints or Japanese blue prints, types for which there is considerable demand in the United States but which are not produced in this country.

G. *Commodities which are competitive but imports of which from Japan are negligible in comparison with domestic production.*[27] This category includes a wide range of commodities, mostly imported in small amounts. It takes in a marginal fringe which offers slight competition to domestic products. The largest items were rubber toys, including toy balloons, $262,692; matches with colored stems, $222,453;[28] and miscellaneous manufactures of rubber, $162,777.

H. *Commodities which are substantially competitive.* The imports from Japan against which the most serious complaints have been directed fall mainly into this category. Their aggregate value in 1934 was $9,713,756, or 8.2 per cent of total Japanese imports. The full list of these substantially competitive items, classified under four heads, is given in Table V.

In the first group are nine commodities on which restrictive action has already been taken. Imports of these commodities in 1934 were valued at $3,105,083, or 31.9 per cent of the total value of the substantially competitive items. In the case of cotton rugs, the cheapest type of floor covering, increased domestic consumption during the depression has been mainly supplied by imports. In June 1934, following an investigation by the Tariff Commission under section 3(e) of the N. I. R. A., special fees were imposed on various types of imported cotton rugs in addition to the prevailing tariff duties. At the same time, the Japanese government voluntarily undertook to limit exports to the United States to fixed levels.[29] Although the special fees were abolished as a result of the Supreme Court's decision invalidating the N.I.R.A., Japan has continued to control exports to the United States.[30] Domestic production and prices have increased in 1935. In the case of the remaining items, import duties have been considerably increased during recent years as a result of investigations con-

26. By paragraph numbers, Tariff Act of 1930, as follows: 41, 339 (second of 2 items), 411 (first two of 3 items), 412 (first of 2 items), 911 (two items), 915, 1021 (second of 2 items), 1205 (four items) 1210, 1311, 1409, 1410 (two items), 1502 (last of 3 items), 1503 (first two of 4 items), 1506 (last two of 8 items), 1513 (second and sixth of 11 items), 1518, 1521, 1527 (first of 2 items), 1528 (last of 3 items), 1529 (seven of 9 items, omitting the fourth and fifth), 1530 (second of 2 items), 1535, 1537 (third of 8 items), 1542, 1551, 1554 (three items), 1558 (last two of 3 items). *Ibid.*, Part II, Table 1.

27. By paragraph numbers, Tariff Act of 1930, as follows: 5 (first of 2 items), 23, 31 (first of 2 items), 53 (last of 4 items), 81, 205, 210, 218 (second of 3 items), 228 (two items), 327, 339 (first of 2 items) 371, 372 (two items), 397 (last of 3 items), 717 (second of 3 items), 718 (second of 4 items), 727 (three items), 743, 747, 764 (second of 2 items), 765, 768 (second of 2 items), 769, 917 (two items), 919, 923 (first of 3 items), 1115, 1211, 1404 (last two of 3 items), 1405 (two items), 1502 (first of 3 items), 1506 (second of 8 items), 1509, 1513 (first of 11 items), 1516 (first of 2 items), 1527 (second of 2 items), 1528 (second of 3 items), 1529 (fourth and fifth of 9 items), 1531, 1537 (sixth of 8 items), 1549. *Ibid.*, Part II, Table 1.

28. Imports negligible in 1935.

29. *Cotton Rugs,* United States Tariff Commission, Report No. 95, Second Series, p. 56.

30. On June 1, 1934 Japanese exports of hit-and-miss rugs to the United States were restricted to 3,250,000 square yards annually; in May 1935 this quota was increased by agreement to 3,550,000 square yards. Exports of Japanese cotton chenille rugs were restricted on June 1, 1934 to 650,000 square yards annually; in May 1935 this quota was increased by agreement to 750,000 square yards. The annual exports of cotton rugs other than hit-and-miss and chenille rugs were limited to 4,070,000 square yards on June 1, 1934, and to 3,250,000 square yards in May 1935. *Recent Developments in the Foreign Trade of Japan,* cited, pp. 144-147.

TABLE V

DUTIABLE IMPORTS SUBSTANTIALLY COMPETITIVE IN 1934

(valued at $12,000 or more, classified)

Paragraph, Act of 1930	Commodity	Actual or computed ad valorem rate	Value	Per cent of total from all countries
	GRAND TOTAL		$9,713,756	
	I. Items on which restrictive action has already been taken			
717	Frozen swordfish	27.4	106,843	31.9
718	Canned tuna fish	30.0	502,265	98.7
		45.0	701,667	96.4
721	Canned clams, etc.	35.0	161,452	94.2
921	Hit-and-miss rag rugs of cotton	75.0	272,960	100.0
921	Cotton chenille rugs	40.0	279,830	98.7
		87.3	99,248	97.6
921	Floor coverings of cotton other than hit-and-miss rugs, etc.	35.0	490,169	95.3
		71.1	91,459	99.9
		55.0	43,899	64.6
1114	Wool knit gloves at not over $1.75 per dozen pairs	66.7	31,843[1]	91.3
1530	Rubber-soled footwear with fabric uppers	35.0	299,941	90.4
1537	Rubber boots and shoes	25.0	23,507	88.4
	TOTAL		$3,105,083	
	Per cent of total substantially competitive commodities		31.9	
	II. Items on which investigations under Sec. 336 are in progress[2]			
904	Countable cotton cloth	26.9	$363.043[1]	5.6
918	Cotton handkerchiefs and mufflers	39.9	79,299[1]	41.1
	TOTAL		$442,342	
	Per cent of total substantially competitive commodities		4.6	
	III. Items of which imports are declining in relation to domestic production			
211	Earthenware and stoneware household, table, and kitchen articles, undecorated	87.3	$81,800	
211	Same, decorated	75.6	1,042,980	
212	China and porcelain household, table and kitchen articles, undecorated	131.1	50,414	
212	Same, decorated	94.2	2,004,420	
229	Incandescent electric lights, miniature	20.0	352,209	99.9
230	Small glass mirrors	50.0	55,439	99.6
1506	Toothbrushes, handles or backs of cellulose compounds	132.3	253,904	98.2
1506	Same, of bamboo or bone	101.3	92,233	80.1
1513	Dolls of cellulose compounds, without movable parts	100.6	13,237	98.5
1513	Toys of cellulose compounds, without movable parts	102.8	20,126	99.5
1516	Matches in boxes of not more than 100	113.5	20,485	10.4
1537	Celluloid combs at over $4.50 per gross	86.1	20,944	95.3
1537	Rubber erasers[3]	25.0	25,673	99.5
	TOTAL		$4,033,864	
	Per cent of total substantially competitive commodities		41.5	
	IV. Remaining items			
225	Sun goggles, etc., of cellulose at not over 65 cents per dozen	70.3	$79,642	100.0
229	Incandescent electric lights, other than miniature	20.0	479,383	98.7
353	Electrical goods and parts (flashlight cases)	35.0	27,273	4.1
359	Hypodermic syringes, glass (part metal)	70.0	36,709	90.9
411	Porch and wall screens of bamboo, wood, etc.	50.0	41,223	84.2
412	Manufactures of wood or bark	33.3	483,230	40.8
909	Cotton plain-back velveteens, cut or uncut	31.2	14,099[1]	54.5
916	Cotton hose and half hose	50.0	98,008	22.9
921	Floor coverings of grass or rice straw, in chief value of cotton	35.0	68,364	100.0
923	Cotton fish netting	40.0	61,051	49.4

Paragraph, Act of 1930	Commodity	Actual or computed ad valorem rate	Value	Per cent of total from all countries
1117	Wool floor coverings, at not over 40 cents per square foot	30.0	186,949	30.7
1502	Baseballs, footballs, etc. (chiefly ping-pong balls)	30.0	13,215	17.2
1506	Handles and backs of cellulose compounds for toothbrushes	146.1	36,767	100.0
1506	Hair brushes, handles or backs of hardwood	65.1	44,401	76.9
1506	Toilet brushes, handles or backs of hardwood	79.0	66,576	65.4
1537	Celluloid combs, at $4.50 or less per gross	88.9	264,806	99.4
1550	Mechanical pencils, not of cellulose compounds	61.1	73,684	81.5
1553	Thermos bottles	180.1	57,087	90.1
	TOTAL		$2,132,467	
	Per cent of total substantially competitive commodities		22.0	

1. Imports increased to several times these figures in 1935.

2. The Tariff Commission also has in progress an investigation of slide fasteners (Par. 397) under Section 336; imports were negligible in 1934 but amounted to $24,170 in the first 8 months of 1935.

3. Inquiry at the Tariff Commission disclosed that actual imports of rubber erasers in 1934, through errors in classification of imports, were 1,359,339 pounds instead of the recorded 280,780 pounds listed in its report. The misclassification was corrected, and recorded imports for 1935 show a considerable decline, which places this commodity in Group III.

ducted by the Tariff Commission under Section 336 of the Tariff Act of 1930. The duty on canned tuna fish was raised from 30 to 45 per cent on January 13, 1934. Imports of canned tuna fish had been portrayed as an eminent danger to the domestic industry, but the findings of the Commission did not bear out this contention.[31] In 1934 and 1935 imports declined, both absolutely and in relation to domestic production.[32] On May 1, 1934 the duty on canned clams was increased from 35 per cent *ad valorem,* based on foreign value, to 35 per cent based on the American selling price.[33] The *ad valorem* equivalent of the new duty was from 98 to 113 per cent. As a result, there has been a drastic decline in imports and a considerable increase in price to consumers on the Pacific Coast.[34] On February 1, 1933 the rates on rubber-soled and rubber footwear, respectively 35 and 25 per cent, were also assessed on the American selling price instead of the foreign value, again resulting in a substantial decline of imports.[35] On January 27, 1936 the Tariff Commission announced that the President had increased the duty on frozen swordfish from 2 to 3 cents per pound, effective February 22, 1936.[36] In the case of wool knit gloves, the Tariff Commission announced on February 25, 1936 that the President had issued a proclamation, effective March 22, 1936, changing the basis of the duty of 40 cents per pound and 35 per cent *ad valorem* from foreign value to American selling price.[37] Calculated on the basis of figures contained in the Tariff Commission's report,[38] the effect of this change will be to increase the *ad valorem* equivalent duties on women's and misses' gloves, respectively, from 61 and 65 per cent to 142 and 147 per cent, respectively. The bulk of imported wool knit gloves have been retailing at from 30 to 59 cents per pair; the price will probably be more than doubled by the increase in duty.

The two commodities in the second group of substantially competitive items constitute a single problem. Although no investigation on cotton handkerchiefs and mufflers *per se* is in progress, they are dutiable at the same rates provided for countable cotton cloth[39] in paragraph 904, and any action taken under Section 336 will apply to both. Imports of cotton cloth from Japan, which increased from 7,287,017 square yards in 1934 to 36,474,834 in 1935,[40] have given rise to widespread agitation and protests by domestic producers. While the

31. The Commission found that the net effect of the imports from Japan was a reduction of domestic prices leading to a large increase of consumption, the benefits of which were shared in large measure by the domestic industry. Nor did the lower prices adversely affect the American fishermen. The main result was to reduce the profits of domestic canners, which had greatly increased during the period when the request for an increased duty was made. *Tuna Fish,* United States Tariff Commission, Report to the United States Senate, January 1936, pp. 4-5, 86.

32. *Recent Developments in the Foreign Trade of Japan,* cited, pp. 128-29.

33. *Canned Clams,* United States Tariff Commission, Report No. 84, Second Series, p. 30.

34. *Recent Developments in the Foreign Trade of Japan,* cited, pp. 130-31.

35. *Rubber-Soled and Rubber Footwear,* United States Tariff Commission, Report No. 63, Second Series, p. 22.

36. *Public Information,* U. S. Tariff Commission release, January 27, 1936; also *Frozen Swordfish,* United States Tariff Commission, Report to the President, December 17, 1935.

37. *Public Information,* U. S. Tariff Commission release, February 25, 1936.

38. *Wool Knit Gloves and Mittens,* United States Tariff Commission, Report to the President, February 11, 1936, p. 5.

39. I.e., cotton piece goods, or simply cotton cloth.

40. Valued at $1,727,852 in 1935.

latter figure constituted a negligible fraction of total domestic production, it was mainly concentrated in a bleached cloth which competed at a low price with a special type of domestic bleached print cloth. In this range the competition in 1935 roughly amounted to 30 million square yards of imported cloth as against an estimated domestic production of 150 million square yards,[41] or 20 per cent of the total. As a result, several investigations have taken place: one under Section 3(e) of the N.I.R.A. was cut short by the Supreme Court's decision in May 1935. A special Cabinet Committee appointed by the President investigated conditions in the cotton textile industry, including in its study the effect of recent imports, and issued a report on August 20, 1935. This report laid stress on the problems arising from the excess capacity and obsolescence of the domestic industry.[42] In regard to imports, it recommended the negotiation of an informal agreement with Japan limiting shipments of the textile products which have been the subject of complaint.[43] Toward the end of 1935 cotton cloth imports from Japan tapered off considerably. At the same time, there were indications that inter-government negotiations for voluntary limitations were achieving results. On December 21, 1935 the Japanese Ambassador in Washington informed the Assistant Secretary of State that Japanese manufacturers had decided voluntarily to hold cotton goods exports to the United States to "moderate levels," and that there was "little likelihood of a repetition of such abnormal increases in exports of cotton textiles" as occurred during the first six months of 1935.[44] Domestic producers, however, question the effectiveness of such an agreement unless it fixes specific limits over a definite period and is adjusted in such a way that the bulk of imports does not strike at a special type of cloth. A third investigation, under Section 336 of the Tariff Act of 1930, is now being carried out by the Tariff Commission.

In the third group are thirteen commodities imports of which are declining in relation to domestic production. Of these commodities, six had *ad valorem* equivalent duties in 1934 of over 100 per cent, while four more had *ad valorem* equivalent duties ranging from 75 to 100 per cent. By far the most important commodity in the third group of substantially competitive items is pottery, including both earthenware and china. Although imports from Japan have markedly increased since 1932, they are still considerably smaller than in 1929 and are now declining in proportion to domestic production.[45] Existing duties on these articles are already so high as to place a heavy burden on the consumer. Serious competition, moreover, is restricted to a few types of pottery products, chiefly cups and saucers not parts of sets and plates not parts of sets. Finally, although the marginal domestic producers are having some difficulty, the larger part of the industry is in good financial condition.[46] The other large item in this group consists of articles fabricated from cellulose compounds. Imports of celluloid toys and dolls have declined drastically since 1931, due to their inferior quality and their extremely high duties, which average about 100 per cent in *ad valorem* equivalents.[47] Imports of tooth brushes with celluloid handles have also declined, although they remain substantial. The decline in imports may be due to the extensive manufacture of a 10-cent tooth brush in the United States beginning in 1933 and 1934, when imports were entering in largest volume. The manufacture of cellulose compounds and of articles fabricated therefrom is very largely a machine process. The competitive problem would appear to involve principally the high prices of the domestic cellulose compounds (from which the articles are made); these are produced by only four large companies in the United States, three of which also manufacture the various finished articles.[48]

Under the fourth head are grouped the remaining substantially competitive items. Concerning many of these articles there is no information available as to the type of commodity imported or the nature of the competition involved; they have been placed in the substantially competitive list chiefly because indications are that imports supply a substantial part of domestic consumption. There are several, however, which merit special comment. Upon the expiration of domestic tungsten filament patents, imports of electric lamps from Japan began in 1929. In recent years imports of miniature lamps—listed in the third group—

41. Statement submitted to the Cabinet Committee in behalf of The Cotton Textile Industry Committee and The Cotton-Textile Institute, Inc., Supplement to *Current Information*, The Cotton-Textile Institute, Inc., Vol. I, No. 9, July 4, 1935, p. 20.

42. *Cotton Textile Industry*, cited, p. 109-15.

43. *Ibid.*, p. 12.

44. *Press Releases*, Department of State, December 28, 1935, p. 581.

45. *Pottery*, United States Tariff Commission, Report No. 102, Second Series, p. 42-46. In 1933 a federation of Japanese exporters' associations was organized, which brought about in November 1933 and at various times in 1934 advances in the yen prices of the major classes of pottery exported to the United States.

46. *Ibid.*, pp. 10-11, 73-80.

47. *Recent Developments in the Foreign Trade of Japan*, cited, pp. 160-61, 164-67.

48. *Ibid.*, p. 167.

have greatly declined. Imports of the larger lamps are less than in 1932, but were substantial in 1934 and 1935. The production of electric lamps is highly mechanized, and domestic machines are as efficient as any in the world. Approximately 90 per cent of domestic lamps is produced by one large company and six smaller companies operating under its patents.[49] They are all members of the National Electrical Manufacturers Association, which has recently been cited by the Federal Trade Commission for a variety of malpractices. Before Japanese lamps appeared on the American market, no domestic lamp sold for less than 15 cents retail. When imports attained considerable volume, the domestic industry produced a 10-cent lamp for the first time in its history, and reduced the price of its 20-cent lamp to 15 cents. Imports of cotton plain-back velveteens from Japan were valued at $114,959 in the first eight months of 1935, marking a large increase over 1934. Domestic production was at least twice as large in 1934 as in 1933, with indications that it continued to expand during 1935. The enlarged consumption of cotton velveteens is being enjoyed by domestic producers as well as by Japanese exporters.[50] In the case of cotton fish netting, substantial imports did not begin until late in 1931, when the income of American fishermen was drastically reduced by severe declines in the price received for netted fish. The cost of netting to the fishermen is estimated at from 5 to 10 per cent of the total sales value of their catch.[51] Imports from Japan, selling at about half the domestic price, have increased steadily since 1931. Approximately 90 per cent of domestic cotton fish netting is produced by four companies,[52] which quote identical prices. Several hundred thousand American fishermen use nets; a few hundred persons are employed in the manufacture of these nets. Domestic producers, however, stress the fact that this industry is of military importance and played a significant rôle in the World War. The facts already noted in connection with cellulose products also apply to such commodities in this group, except that imports are increasing. Domestic consumption of cellulose sun goggles has greatly expanded in recent years; both the domestic producers and the importers have benefited, the former supplying chiefly the higher grades and the latter the lower grades.[53] The domestic industry is making good profits and paying liberal salaries to its proprietary officers.[54] In the case of cheap wool rugs, the existence of a commercial domestic production is doubtful; as regards floor coverings of grass or rice straw, domestic production has declined continuously since the war and is now insignificant.[55] Manufactures of wood or bark imported from Japan are substantially competitive in only a few of the important items; Japan, moreover, supplied only 37.5 per cent of total imports in the first eight months of 1935.[56]

49. *Ibid.*, p. 119.

50. Imports are of such inferior quality that they can be used only as linings for boxes and cases, while the domestic product can be used for wearing apparel. The large increase in sales of the domestic product has occurred despite the fact that it is priced at from 60 to 72 cents per yard, while imported velveteens are sold at a wholesale price ranging from 20 to 35 cents per yard. *Recent Developments in the Foreign Trade of Japan,* cited, p. 141.

51. *Ibid.*, p. 147.

52. *Ibid.*

JAPANESE-AMERICAN COMPETITION IN THIRD COUNTRIES

In dollar values, American exports to all markets were less in 1935 than 1929, although there have been considerable increases since 1932. The yen values of Japanese exports to all important markets, except the United States, Canada and China, were greater in 1935 than in 1929. Over 60 per cent of American exports, however, go to Europe and Canada, markets in which Japanese competition is negligible, as indicated in Tables VI and VII. It is in these markets that the largest absolute declines in the value of American exports occurred, while the largest absolute increases in Japan's exports occurred in trade with Asiatic countries. Some of the largest percentage increases in the yen value of Japan's export trade were registered in Central and South America, but the absolute increases were small and constituted only a fraction of the reduced dollar value of American exports to these areas between 1929 and 1932. Since 1932, moreover, the increase in the dollar value of American exports to Central and South America has been much larger than the increase in the value of Japan's exports to these regions. This general situation does not necessarily hold true with respect to individual commodities. Exports of American cotton cloth, for example, declined from an average of 540 million square yards in 1925-1927 to 302 million square yards in 1933, 226 million in 1934, and 187 million in 1935.[57] This decline was materially affected by Japanese competition.

Japanese-American trade competition in third countries is shown from another angle in Table

53. *Sun Glasses or Sun Goggles,* United States Tariff Commission, Report No. 103, Second Series, p. 3.

54. *Ibid.*, p. 4.

55. *Recent Developments in the Foreign Trade of Japan,* cited, pp. 145, 151.

56. *Ibid.*, p. 127.

57. Information supplied by the Cotton-Textile Institute, New York, N. Y.

TABLE VI

VALUE AND PERCENTAGE DISTRIBUTION OF U. S. EXPORTS[1]

(in millions of dollars)

Destination	*1929*		*1932*		*1933*		*1934*		*1935*	
All countries	$5,157	100.0	$1,576	100.0	$1,647	100.0	$2,100	100.0	$2,282	100.0
Europe	2,315	44.9	766	48.6	839	50.9	938	44.7	1,028	45.1
North America[2]	915	17.8	233	14.8	202	12.3	292	13.9	330	14.4
Canada	902	17.5	228	14.5	198	12.0	287	13.6	323	14.2
Others	13	0.3	4	0.3	4	0.3	5	0.3	6	0.2
South America	537	10.4	96	6.1	113	6.9	161	7.6	174	7.7
Central America[3]	427	8.3	118	7.5	124	7.5	175	8.4	202	8.8
Asia	642	12.4	290	18.4	291	17.7	400	19.0	378	16.6
Japan	259	5.0	134	8.5	143	8.7	210	9.9	203	8.9
China[4]	124	2.4	56	3.5	52	3.2	68	3.3	38	1.7
Kwantung	12	0.2	1	0.1	3	0.2	4	0.2	4	0.2
Hongkong	19	0.4	10	0.6	8	0.5	9	0.4	9	0.4
Philippines	85	1.7	45	2.8	45	2.7	47	2.2	53	2.3
Dutch Indies	46	0.8	8	0.5	7	0.4	10	0.5	11	0.5
British India[5]	58	1.1	26	1.6	20	1.2	29	1.4	33	1.4
Others	39	0.8	12	0.8	14	0.8	23	1.1	27	1.2
Africa	130	2.5	36	2.3	43	2.6	77	3.7	96	4.2
Oceania[6]	192	3.7	37	2.3	35	2.1	57	2.7	74	3.2

1. *Recent Developments in the Foreign Trade of Japan,* cited, pp. 55-57; also *Monthly Summary of Foreign Commerce of the United States,* December 1935, pp. 4-5. Domestic exports, 1929-1934; total exports, including re-exports ($39,805,000), for 1935.

2. Excludes Mexico. 3. Includes Mexico and West Indies. 4. Includes Manchuria, except Kwantung. 5. Includes Ceylon. 6. Australia, New Zealand, Hawaii, and others.

TABLE VII

VALUE AND PERCENTAGE DISTRIBUTION OF JAPAN'S EXPORTS[1]

(in millions of yen)

Destination	*1929*		*1932*		*1933*		*1934*		*1935*	
All countries	¥2,149	100.0	¥1,410	100.0	¥1,861	100.0	¥2,172	100.0	¥2,499	100.0
Europe	147	6.9	127	9.0	182	9.8	228	10.5	263	10.5
North America[2]	941	43.8	454	32.2	499	26.8	408	18.8	543	21.7
United States	914	42.5	445	31.6	492	26.4	399	18.4	535	21.4
Canada	27	1.3	9	0.6	7	0.4	9	0.4	8	0.3
Others[3]	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
South America	23	1.1	13	0.9	30	1.6	61	2.8	73	2.9
Central America[4]	7	0.3	5	0.4	16	0.9	43	2.0	36	1.4
Asia	915	42.6	678	48.1	931	50.0	1,170	53.8	1,304	52.2
China[5]	347	16.1	155	11.0	190	10.2	224	10.3	275	11.0
Kwantung	124	5.8	121	8.6	221	11.9	296	13.6	300	12.0
Hongkong	61	2.9	18	1.3	23	1.3	33	1.5	50	2.0
Philippines	31	1.4	22	1.6	24	1.3	36	1.7	48	1.9
Dutch Indies	87	4.1	100	7.1	157	8.5	158	7.3	143	5.7
British India[6]	198	9.2	192	13.7	205	11.0	258	11.9	288	11.6
Others	67	3.1	68	4.8	109	5.8	163	7.5	201	8.0
Africa	61	2.8	86	6.1	137	7.4	182	8.4	184	7.4
Oceania[7]	55	2.5	47	3.3	65	3.5	80	3.7	95	3.9

1. *Recent Developments in the Foreign Trade of Japan,* cited, pp. 55-57; also *Monthly Return of the Foreign Trade of Japan,* cited, December 1935, pp. 8-11. Total exports, including re-exports, of Japan proper.

2. Excludes Mexico. 3. Negligible. 4. Includes Mexico and West Indies; for 1929 may include some "other North America." 5. Includes Manchuria, except Kwantung. 6. Includes Ceylon. 7. Australia, New Zealand, Hawaii, and others.

TABLE VIII

EXPORTS OF UNITED STATES AND JAPAN TO THIRD COUNTRIES[1]

(in percentages of total imports of specified country)

Year	1929		1931		1932		1933		1934	
Country	U.S.	Japan	U.S.	Japan	U.S.	Japan	U.S.	Japan	U.S.	Japan
United Kingdom	16.1	0.7	12.1	0.8	11.9	1.0	11.2	1.1	11.2	(2)
France	12.3	0.5	9.0	0.5	9.7	0.5	10.3	0.6	9.6	0.8
Germany	13.3	0.3	11.8	0.4	12.7	0.4	10.2	0.4	8.4	0.5
Belgium	9.6	0.1	8.8	0.1	8.7	0.2	8.1	0.3	7.3	0.4
Canada	68.8	1.0	64.7	1.1	58.2	1.0	54.2	0.8	57.2	0.9
Mexico	69.1	0.4	66.7	0.5	63.8	0.4	59.9	0.6	60.7	0.9
Cuba	58.8	0.6	57.3	1.0	54.2	1.0	53.5	2.0	56.2	4.3
Argentina	26.9	0.5	16.0	1.1	13.6	1.6	12.7	2.3	14.8	2.2
Chile	32.2	0.8	34.3	0.6	23.1	0.6	22.4	1.1	28.8	3.5
Colombia	45.9	1.1	41.9	1.5	42.0	1.3	36.8	2.2	43.9	4.8
Peru	41.8	1.2	40.5	1.6	29.1	1.7	27.4	4.9	27.1	6.0
Uruguay	30.2	1.1	19.2	0.6	9.7	0.8	9.2	1.3	14.9	3.9
Australia[3]	24.6	3.3	18.7	3.9	15.7	5.4	13.9	6.1	13.5	6.3
New Zealand	18.6	1.3	14.9	1.2	13.3	1.8	10.4	2.5	11.0	2.6
South Africa	18.9	1.8	14.0	4.9	13.4	3.8	12.6	4.3	16.9	3.5
China	18.0	(2)	22.2	20.0	25.7	14.1	22.1	9.8	26.4	12.3
British India	7.3	9.8	10.2	10.6	8.5	14.4	6.2	14.2	6.7	15.5
Dutch Indies	11.8	10.4	8.7	15.6	6.2	19.9	4.9	30.8	6.0	31.6
Philippines	62.9	8.1	62.7	11.1	64.6	7.8	65.0	8.4	65.4	12.4

1. *Recent Developments in the Foreign Trade of Japan,* cited, pp. 60-61.
2. Not available.
3. Fiscal years ended June 30.

VIII. The percentages in this table are based on values expressed in terms of the currency of each important country. Except for China and the Philippines, the United States supplied smaller percentages of the total imports of these countries in 1934 than in 1929. During this period, on the other hand, Japan supplied larger percentages of these countries' imports, aside from China and Canada. The decreases in the relative magnitude of imports from the United States, however, were much greater than the corresponding increases in the imports supplied by Japan in all but three cases—South Africa, British India, and the Dutch Indies. In most cases, therefore, the decline in American exports was caused by factors other than Japanese competition.

Although the absolute decline in the value of American exports to the Philippines has been large, the absolute increase in Japan's exports has been small, indicating that the United States has not so far lost an important part of its total trade in the islands to Japan. In certain commodities, however, notably cotton cloth, imports from Japan have been an important factor in causing a decrease of imports from the United States into the Philippines. On October 11, 1935 an agreement for voluntary limitation of Japan's exports of cotton cloth to the Philippines was reached.[58] The Japanese cotton cloth exporters agreed to limit exports to 45 million square meters annually for a two-year period beginning August 1, 1935, provided there was no increase in the Philippine tariff duty on this commodity. American producers, however, point out that this quota is much larger than Japan's cotton cloth exports to the Philippines prior to 1934.[59] They also claim that the agreement did not take into consideration the fact that American shipments of cotton cloth to the Philippines have always included a considerable quantity of goods, possibly 10 or 15 million square yards annually, used for embroidery purposes and then re-exported to the United States.

CONCLUSION

The international economic position occupied by the United States affords slight justification for raising new barriers against imports. Although a

58. *Press Releases,* Department of State, October 19, 1935, pp. 309-11. During the twelve months preceding September 1935, the Japanese exporters shipped 59,790,000 square meters of cotton cloth to the Philippines. Japanese cotton cloth is subject to duty, whereas American cotton cloth enters the Philippines free of duty.

59. The 1920-1924 average was 9,436,000 square meters; in 1932 the figure was 20,620,000 square meters, and in 1933 it was 23,687,000 square meters. Information supplied by the Cotton-Textile Institute, New York, N. Y.

creditor nation, with large unpaid debts outstanding, this country still sells more goods than it buys. In 1934 the excess of American exports over imports amounted to nearly half a billion dollars. This excess was balanced mainly by extremely large imports of gold, but such a situation cannot continue indefinitely. In the long run, unless the United States increases its imports, it cannot expect to maintain even its present level of exports, especially since capital exports, either in the form of long-term loans or direct investments, have virtually ceased.

In the case of Japan, these considerations are reinforced by the fact that in recent years the United States has enjoyed a considerable credit balance on merchandise trade, contrary to the previous trend in the trade of the two countries. Large sections of American industry and agriculture have profited from this situation. The resulting gains would be jeopardized by resort to drastic increases in tariffs on Japanese goods, which in many cases are already extremely high. The American consumer has also benefited by the cheaper prices of Japanese goods, more especially during a period of depression in which incomes were greatly reduced. This factor is even more significant where, as in some cases, the competition of lower priced Japanese products has tended to break down domestic monopolies.

A comparatively small section of Japanese imports—only 8.2 per cent of the total value of imports from Japan in 1934—has offered substantial competition to the American manufacturer. In a number of instances this competition has not affected the financial position of the domestic producers. Such dislocation as has occurred can in no sense be considered serious enough to constitute a general threat to the living standards of American workers. Where cause for legitimate complaint existed in the group of substantially competitive commodities, tariffs on certain of the products have been raised after investigation by the Tariff Commission. In some cases quota agreements on a voluntary basis have also been reached, while in others they are in process of negotiation. On the basis of the general interests of American business, there is every reason to continue the efforts to reach such mutual adjustments, rather than to undertake any general exclusion of Japanese imports.

Japanese competition with American producers in exports to third countries, especially when these countries are fully independent, is not a matter which lends itself readily to governmental intervention. It may well be argued that a special case exists in China and "Manchoukuo," where Japanese military aggression and political pressure have afforded undue advantages for the expansion of Japan's exports in recent years. On the other hand, it should be recognized that increased Japanese purchases from the United States of certain commodities, such as metals and oil, have been used to refurbish Japan's armaments and to equip Japanese armed forces engaged in such aggression. Japan's military activities on the Asiatic mainland, moreover, constitute a political rather than an economic issue, and cannot be countered by unilateral efforts to increase tariffs on Japanese goods or to exclude them from the American market. Single-handed efforts to cut off Japan's export markets serve to stimulate and justify the latter's resort to further territorial conquest. Even unilateral political action by the United States, especially when it takes the form of building up its naval and military forces, cannot be relied upon to achieve a sound and adequate settlement of this issue. It must be handled by collective action, through such instruments as the Nine-Power Treaty or the Far Eastern Advisory Committee of the League of Nations. A general international settlement will afford the best guarantee of stability and peace in the Far East, on which the prosperous development of the trading interests of all nations in that area ultimately depends.